



City of San Diego

BEN HUESO

CITY COUNCIL PRESIDENT – DISTRICT 8

CARL DEMAIO

CITY COUNCILMEMBER – DISTRICT 5

MEMORANDUM

DATE: May 13, 2010

TO: Eduardo Luna, City Auditor
Audit Committee Members
Honorable Mayor and City Council

FROM: Councilmember Carl DeMaio *Carl DeMaio*
Council President Ben Hueso *BH*

RE: Performance Audit of Small Local Business Enterprise (SLBE) Program

As you prepare your Audit Work Plan for FY 2011, we respectfully request the inclusion of a performance audit on the City's Small Local Business Enterprise (SLBE) Program.

On January 11, 2010, the City Council unanimously approved the Small Business and Local Contracting Program, which is designed to ensure that all local businesses have the opportunity to participate in public works, consulting and goods and service contracts.

The program provides a bid preference to Small and Emerging Local Business Enterprises for major public works contract over \$500,000 and below \$1,000,000. The program also provides other advantages to these businesses for minor public works contracts and the separation of public works contracts into minor contracts to the extent possible.

In creating the program, the City Council committed to an early audit of the program. Municipal Code section § 22.3622 also calls for periodic audits by the city's Independent Auditor or "some other independent body or firm." As noted by the Independent Budget Analyst, "[i]f the City's Auditor was to undertake the audit of the SLBE program, then it would need to be added to his Annual Work Plan."

We are both fully committed to ensuring the full and successful implementation of the Small Business and Local Contracting Program. In pursuit of this goal, we feel a performance audit early in the process would be highly advisable and worthwhile.

Such an audit could encompass, but not be limited to, examining the following:

- Lessons learned in the first year of implementing the program
- Cost to implement the program (staffing and bid preferences)
- Verification of compliance with the definition of "local and small business" for firms who seek and take advantage of bid preferences

Given the projected implementation date of July 1, 2010 for this program, we request that the FY 2011 Audit Work Plan include a Performance Audit of the SLBE Program, with this performance audit scheduled for the end of FY 2011.

We appreciate your consideration of our request, and look forward to the contribution of a performance audit to the success of the SLBE Program.